

AAII Sentiment Survey: Optimism Tempered, But Still Above Average

AAII Sentiment Survey: Optimism Tempered, But Still Above Average

Optimism about the short-term direction of stock prices was tempered this week, according to the latest AAII Sentiment Survey. Pessimism rose notably higher, but still remains below its historical average.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 6.3 percentage points to 39.2%. This is the first time in six weeks optimism is below 40%. The historical average is 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, rose 0.6 percentage points to 33.3%. This is the fourth consecutive week that neutral sentiment is above its historical average of 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, jumped 5.7 percentage points to 27.5%. Although pessimism is at a five-week high, it remains below its historical average of 30.5% for the eighth time in the past 10 weeks.

A reversion to the mean in both bullish and bearish sentiment occurred this week. Though optimism is still slightly above and pessimism is still somewhat below their respective historical averages, upside expectations for the short-term direction of stock prices were tempered following last Thursday's 1.3% decline in the S&P 500.

Individual investors, in aggregate, continue to be encouraged by the market's upward momentum as well as by earnings and economic growth. Tempering this optimism are concerns about the pace of economic growth, elevated stock valuations and the lack of a long-term fiscal solution.

Since we are holding the AAII Investor Conference in Orlando, FL, this week's special question asked AAII members what their favorite Disney movie is. "Fantasia" and "Snow White and the Seven Dwarfs" tied as the favorites, with each named by more than 10% of respondents. "Davy Crockett: King of the Wild Frontier" and "The Lion King" tied for second, with each movie picked by 8% of respondents.

This week's AAII Sentiment Survey results:

- Bullish: 39.2%, down 6.3 percentage points
- Neutral: 33.3%, up 0.6 percentage points
- Bearish: 27.5%, up 5.7 percentage points

Historical averages:

- Bullish: 39.0%
- Neutral: 30.5%
- Bearish: 30.5%

The AAI Sentiment Survey has been conducted weekly since July 1987 and asks AAI members whether they think stock prices will rise, remain essentially flat, or fall over the next six months. The survey period runs from Thursday (12:01 a.m.) to Wednesday (11:59 p.m.) The survey and its results are available online at: <http://www.aai.com/sentimentsurvey>